Income Tax - Income That is Subject to Tax

What income of a nonresident of Colorado will Colorado tax?

Income earned by an individual while they are not a resident of Colorado will be taxed in Colorado only if it is considered Colorado source income and is included in their modified federal adjusted gross income. (Modified adjusted gross income is the federal adjusted gross income plus or minus some of the additions and subtractions to federal taxable income that are reported on the individual income tax return Form 104.)

Modified federal adjusted gross income shall be considered to be from sources within Colorado to the extent it arises from:

- A business, trade, profession or occupation carried on in Colorado. This would include the profit from any business carried on in Colorado and payments received for work performed in Colorado either as an independent contractor or as an employee;
- 2. The ownership of any interest in real or tangible personal property in Colorado. This would normally mean rents and royalties from real or tangible personal property located in Colorado or the gain or loss from the sale or other disposition of such property;
- 3. Partnership, limited liability company or S corporation income to the extent such income is from Colorado sources;
- 4. Income reported as being from an estate or trust to the extent such income is from Colorado sources;
- 5. Income from intangible property to the extent such property is employed in a trade, business, profession or occupation carried on in Colorado. Examples of such income would be interest income from a finance business located in or active in Colorado, or royalty income from the use of a patent, trademark or copyright employed in the active conduct of a Colorado business operation.